

## HOUSING DEPARTMENT

### Impact Analysis Report

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#### **OVERVIEW**

The Housing Department is responsible for the collection of fees related to the Rental Rights and Referrals Program and also for the collection of inclusionary fees. Inclusionary fees support the production of affordable housing units. Housing developments in Redevelopment Project Areas or other specially-designated areas require a portion of the housing units to be affordable to low- or moderate-income households. In limited circumstances, developers may choose to pay an “in-lieu” fee instead of building the required affordable units in their project. This fee is also paid for fractions of units that must be provided under the development requirement. The inclusionary fee is based on an estimate of the cost to the City to subsidize the construction of an affordable rental/owner unit.

On June 19, 2007, the City Council and Redevelopment Agency Board approved amendments to the Inclusionary Housing Policy which included a revised inclusionary in-lieu fee structure. For most units, the revised fees are \$17.00 per total square foot of living space in the entire development. For units in the Downtown High-Rise Incentive Areas, the fee is \$8.50 per square foot. The Inclusionary Housing Program fee structure will remain unchanged in 2008-2009. Revenue from the Inclusionary Housing Program is not displayed in the Department’s fee schedule, as revenue generated from this program is used to build affordable housing in San José. More detail regarding inclusionary in-lieu fee revenue as displayed in

the Multi-Source Housing Fund (448) can be found in the 2008-2009 Adopted Operating Budget.

The Rental Rights and Referrals Program fees are collected from rental units covered by the Rent Control Ordinance and the Mobilehome Rent Control Ordinance. In 2002-2003, the fee structure was adjusted to \$9.09 for rent-controlled apartments, \$6.26 for mobilehomes, and \$0.50 for non-rent controlled apartments. This fee schedule had remained unchanged for over five years, during which time the actual program costs changed. For 2007-2008, the rent-controlled apartments fee was suspended, as this area of the program had accumulated a substantial reserve (\$640,000). In addition to suspending this fee, the Department conducted a comprehensive analysis of the costs for providing services in each of the three sections of the Program, which revealed a decrease in the costs for rent-controlled apartments and an increase in the costs for mobilehomes and non-rent controlled apartments was required to bring each of the three areas to Cost Recovery status. The rent-controlled apartment program has experienced a significant decrease in the number of requests for mediation hearings, while the mobilehome program and the non-rent controlled apartment programs have experienced an increase in requested services. This has resulted in higher staffing and mediation costs for these programs.

In response to these findings, the rent-controlled apartment fee will be reinstated, and the following changes in program fees will be implemented for 2008-2009: \$7.26 (from \$9.09) for rent-controlled

## **HOUSING DEPARTMENT (CONT'D.)**

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### ***OVERVIEW (CONT'D.)***

Apartments, \$13.82 (from \$6.26) for mobilehomes, and \$0.80 (from \$0.50) for non-rent controlled units. These new rates will bring the Rental Rights and Referrals Program to 100% cost recovery.

### ***SUMMARY OF ADOPTED FEE REVISIONS***

#### **Existing Fees**

As previously discussed, the following fees for the Rental Rights and Referrals Program are approved: \$7.26 for rent-controlled apartments, \$13.82 for mobilehomes, and \$0.80 for non-rent controlled units. All fees are paid annually on a per-unit basis.

### ***DISCUSSION OF SIGNIFICANT IMPACTS***

No significant impacts are anticipated from these changes.

### ***NOTIFICATION***

The Proposed Fees and Charges Report was released on May 2, 2008 allowing for a minimum of ten days for public review. Public input on fee proposals was heard by the City Council during public hearings held on Tuesday, May 13, 2008 and Monday, June 16, 2008 at 7:00 p.m. in the City Council Chambers.

# DEPARTMENTAL FEES AND CHARGES

# HOUSING

Service	2007-2008 Adopted Fee	2007-2008 % Cost Recovery	2008-2009 Adopted Fee	2008-2009 Estimated Cost	2008-2009 Estimated Revenue		2008-2009 % Cost Recovery	
					Current Fee	Adopted Fee	Current Fee	Adopted Fee
MULTI-SOURCE HOUSING FD - CATEGORY I								
1. Rental Dispute Mediation								
1 Apartment Unit	\$0 annually (Fee suspended for one year)		\$7.26 annually	308,245		308,245		100.0%
2 Mobile Home Unit	\$6.26 annually	76.8%	\$13.82 annually	142,719	64,647	142,719	45.3%	100.0%
3 Non-Rent Controlled Apartments	\$0.50 annually	98.4%	\$0.80 annually	18,774	11,319	18,774	60.3%	100.0%
Sub-total Rental Dispute Mediation		13.1%		469,738	75,966	469,738	16.2%	100.0%
SUB-TOTAL MULTI-SOURCE HOUSING FD - CATEGORY I		13.1%		469,738	75,966	469,738	16.2%	100.0%
MULTI-SOURCE HOUSING FD - CATEGORY II								
1. Inclusionary Fees								
1 For-Sale - High Rise in Downtown High-Rise Incentive Area	\$8.50 per square foot of total living space in entire development. Maximum per affordable unit: \$65,000		No Change					
2 For-Sale - High Rise not in Downtown Core	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$200,200		No Change					
3 For-Sale - Low-Rise Condominium/Stacked Flat Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$90,000		No Change					
4 For-Sale - Single-Family Detached Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$200,000		No Change					

# DEPARTMENTAL FEES AND CHARGES

# HOUSING

Service	2007-2008 Adopted Fee	2007-2008 % Cost Recovery	2008-2009 Adopted Fee	2008-2009 Estimated Cost	2008-2009 Estimated Revenue		2008-2009 % Cost Recovery	
					Current Fee	Adopted Fee	Current Fee	Adopted Fee
MULTI-SOURCE HOUSING FD - CATEGORY II								
1. Inclusionary Fees								
5 For-Sale - Townhouse/Row-House Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$120,000		No Change					
6 Rental Units	\$17.00 per square foot of total living space in entire development. Maximum per affordable unit: \$85,500		No Change					
2. Rental Mediation Penalty:								
Apartments								
1 30 days past due = 25% of principal	Penalties and interest assessed for delinquent permit payment		No Change					
2 60 days past due = 50% of principal	Penalties and interest assessed for delinquent permit payment		No Change					
3. Rental Mediation Penalty:								
Mobile Homes								
1 30 days past due = 10% of the amount of the fee	Penalties and interest assessed for delinquent permit payment		No Change					
SUB-TOTAL MULTI-SOURCE HOUSING FD - CATEGORY II								
TOTAL DEPARTMENT - NON-GENERAL FUND				469,738	75,966	469,738	16.2%	100.0%
TOTAL DEPARTMENT - Category I				469,738	75,966	469,738	16.2%	100.0%
TOTAL DEPARTMENT - Category II								
TOTAL DEPARTMENT				469,738	75,966	469,738	16.2%	100.0%